



**ARKANSAS INSURANCE DEPARTMENT
LEGAL DIVISION**

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BULLETIN NO. 10 –2002

April 22, 2002

TO: ALL LICENSED PROPERTY AND/OR CASUALTY INSURERS, TRADE ASSOCIATIONS, NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, AND OTHER INTERESTED PARTIES

FROM: ARKANSAS INSURANCE DEPARTMENT

RE: CONDITIONS FOR OBTAINING APPROVAL OF MOLD EXCLUSIONS

Current Arkansas homeowners' policies provide coverage for mold if the mold is a direct result of a covered loss. This Department intends to keep this long-standing mold coverage in place.

Arkansas has, and will continue to allow, the use of insurance policies and/or endorsements that exclude coverage for mold if the exclusion is directed at precluding coverage for:

- (1) remedial costs, such as the cost of testing the insured premises for mold, or the costs of containment or fumigation of the insured premises, whether the mold is the result of a covered cause of loss or otherwise; or
- (2) mold that is not the result of a covered cause of loss.

Insurers doing business in Arkansas should take note that insurance policies providing property coverages do not provide coverage for "seepage" or for damage arising from wear and tear, deterioration or naturally occurring mold (except mold that is the direct result of a covered loss).

This advisory is applicable to and includes, but is not limited to, property coverage and liability coverages, including both property damage and bodily injury.

Insurers shall make every effort to develop exclusions that are narrowly drafted. Further, such exclusions shall not be used to deny coverage for the costs of repair and restoration of the insured premises for damages arising from a covered cause of loss, even if some mold is present.

Nothing in this directive shall preclude an insurer from offering additional coverage for mold, including remedial, containment or fumigations costs by an endorsement filed with the Department. This Department encourages insurers to offer such endorsements.

Any questions regarding this Advisory Letter may be directed to the appropriate analysts for the line:

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at 501-371-2800, or to William R. Lacy, Director of the Property and Casualty Division, at bill.lacy@mail.state.ar.us or by telephone at 501-371-2800.

MIKE PICKENS
INSURANCE COMMISSIONER